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Grain and Feed

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Report Highlights: There is a pre-Tet lull in Vietnamese rice exports, due to low stocks traders are waiting for the new Winter-Spring crop to become available.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
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SUMMARY

Export rice supplies, coming from the 2001/02 Winter-Spring (W-S) rice crop, will soon increase as the W-S harvest continues. Those new crop supplies will increase the competitiveness of Vietnamese rice in international markets. Vietnam's rice prices, due to the short supplies, have been much higher than Thai prices for the last several months.

As the W-S harvest expands across the country, Vietnam's rice prices are becoming slightly softer and closer to Thai prices for high quality rice. Vietnamese low quality rice is still not competitive with Thai and Indian rice. The rice market is still very quiet without new major sales. Rice exports in the first quarter of 2002 are mainly based on outstanding sales of Government to Government (G to G) contracts with Iraq, Cuba, Indonesia (a total of 950 thousand metric tons (Tmt)) and commercial sales with Malaysia (50 Tmt).

January 2002 exports were at a very low level of about 50 Tmt, well behind Jan 2001 exports.

RICE PRODUCTION

2000/01 Lua Mua crop

In the North, the harvest of the Lua Mua crop was completed by the middle of December 2001 (see report VM 2001).

In the South, the Lua Mua crop is still being harvested. As of Jan. 25, 2002, about 790 thousand hectares (Tha) of Lua Mua rice area had been harvested, accounting for 88 % of the planted area in the Southern provinces, of which, 320 Tha is in the Mekong River Delta (MRD). The Ministry of Agricultural and Rural Development (MARD) estimates the southern crop yield at 2.85 mt/ha.

2002's Winter-Spring Crop (W-S)

According to MARD, as of Jan 25, 2002, the total W-S rice crop planted area was 2,060 Tha. Of the total W-S planted area -- 260 Tha are in the North and 1,800 Tha are in the South. The planting progress is just slightly slower than that of last year. The crop is reportedly growing well due to relatively favorable weather and few pest problems. Due to the micro-climate nature of Vietnam's regions, some small areas in the MRD are now harvesting their W-S rice.

In the North, W-S crop planting has just began with 257.54 thousand hectares (THA) of W-S rice transplanted, 17 % lagged behind last year's crop due to freezing weather.

In the South, farmers sowed 1,800 Tha of W-S crop, a year on year increase of 2.7 %. Of the Southern area, the MRD planted 1,502 Tha, an increase of 1.16% compared with last year's crop. The crop is growing quite well.

At the same time, a few MRD farmers have started harvesting the W-S rice. As of Jan 25, 2002, about 187 Tha was harvested. It's too early to estimate the crop yield, but it's a promising crop as farmers increased use of crop inputs because of better (expected) paddy prices.

Post keeps the total CY-2002 rice production estimate unchanged at 31.23 mmt from an area of 7,447 Tha (see Table 2).

PRICE Exchange Rate: Vietnam Dong (VND) 15,150 equal to USD \$1.00 Feb-07- 2002

Domestic Prices

In the North – In early Feb. 2002, paddy prices in all Northern provinces slightly increased by VND 100/kg to VND 2,400-2,500/kg compared to prices quoted in Jan. 2002.

In the South – Rice prices begin slightly softening due to increased supplies from the harvest of Lua mua and W-S crop. On Feb 8, 2002, paddy prices in most of the MRD's provinces are at VND 1,850-1,900/kg and the raw white rice price are quoted at VND 2,350 -2,400/kg, a tiny drop of VND 20-30/kg compared with last week's prices.

Export Prices

As of Feb 8, 2002, export prices for Vietnamese long grain white rice 5%; 10% and 25% broken are still remaining at fairly high levels at \$190, \$186 and \$175, respectively (US\$/mt, FOB/ HCMC), about USD 2-3/MT lower than those of the last two weeks of January. The levels of high quality Viet rice (5% and 10% broken) are moving closer to Thai price levels for the same categories. However, prices of Vietnam's 25% broken rice are still higher than Thai rice by US \$8-10/mt.

Traders predict a slight reduction in both domestic and export prices as rice supplies from the harvest of the W-S crop in the MRD is increasing, especially in March 2002 when the harvest will be in peak season.

TRADE

Quiet Market for Vietnam Rice

The market for Vietnamese rice is still quiet without any new major commercial sales due to tight supplies and uncompetitive prices. Exports in the first quarter of 2002 are mainly based on outstanding sales of Government to Government (G-G) deals with Iraq, Indonesia, Cuba and a small quantity of commercial sales with Malaysia. With total outstanding sales of 1.00 million metric tons, traders do not see any significant drop in Vietnamese rice prices within the next three weeks (until the W-S crop comes to peak harvest).

According to traders, some rice exporters have concluded new sales for shipment in March/April 2002, even though the Government's ban to sign new export contract is effective until the end of February, 2002. Rice exporters expect the Government of Vietnam to lift the ban as soon as W-S rice crop supplies enter the market.

Exports in Jan 2002 are Well Behind Jan 2001's Level

Vietnamese rice exports in January 2002 were historically low at 50 TMT, a year on year sharp reduction of 71% . Destinations for Vietnamese rice were Indonesia, Malaysia, Iraq.

Estimated rice exports in February 2002 are also very low (below 50 TMT) because no large shipments will be loaded during the Tet (Lunar New Year) holiday period from Feb 10-18.

POLICY

MARD's Oversea Trade Offices to Boost Exports

The Government has urged the Ministry of Trade and MARD to work more closely to set up Overseas Trade Offices with the responsibility of obtaining updated market information and tapping new markets abroad. The Government has allowed MARD to set up agricultural trade offices (ATO's) in Russia and Iraq. The Russia market has great potential for Vietnam's rice. Last year, Russia imported more than 150 Tmt of rice from Vietnam.

Support Fund to Produce High Quality Seeds

Members of a rice and food association (VIETFOOD) are working on a proposal to establish a support fund for rice seed producers for better quality rice seeds. The financial contribution to the fund will be from rice exporters. The Government is also asked to contribute finance assistance to this project.

Vietnam Plans to Coordinate on Rice Donation Program in North Korea

Vietnam's Prime Minister plans a visit to North Korea in May 2002. Bilateral trade issues, including a rice donation program, will be the main topics to be discussed.

Vietnam-Iraq rice processing joint venture waiting for the Government' approval

According to MARD, the \$12 million Vietnam-Iraq rice processing project (see VM1016) has been granted permission by all the relevant ministries and it is waiting for final approval from the Prime Minister (projects over \$10 million are reviewed by the Office of the Prime Minister).